

**USAID/Paraguay**

**Annual Report**

**FY 2004**

June 15, 2004

## **Please Note:**

The attached RESULTS INFORMATION is from the FY 2004 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:  
USAID Development Experience Clearinghouse  
8403 Colesville Road, Suite 210  
Silver Spring, MD 20910  
Telephone: (301) 562-0641  
Fax: (301) 588-7787  
Email: [docorder@dec.cdie.org](mailto:docorder@dec.cdie.org)  
Internet: <http://www.dec.org>

Portions released on or after July 1, 2004

## Paraguay

### Performance:

Country Setting: The past 14 years since the fall of the dictatorship have seen the adoption of a new constitution, the establishment of freedom of expression, the development of a transparent and free electoral process, some improvements of the judicial system that permit increased public scrutiny of legal cases, and the defense of democratic institutions in the face of severe challenges. These challenges include several coup attempts, the assassination of a Vice President, the resignation of a President and a replacement whose administration lacked direction, authority and credibility. Serious problems persist but since assuming office in August, 2003 the new Duarte Administration has dramatically renewed optimism and raised citizen expectations due to its impressive assault on corruption and its commitment to social and economic reform. Nearly three-fourths of the population now expects improvements in the first year of this administration; last year only one out of six people were optimistic about the future.

During 2003, the country continued its eighth consecutive year in which per capita income stagnated or declined. According to official Government of Paraguay (GOP) statistics, per capita income, measured in current dollars, is now one-half of what it was in 1996. GOP poverty rates rose alarmingly reaching nearly 50% of the population with even higher rates prevailing in rural areas. In 2003, inflation diminished five percentage points to approximately 10% while unemployment and underemployment in the previous two years remained above 20%. The value of the Paraguayan currency that depreciated approximately 75% against the U.S. dollar over the past three years stabilized in 2003. Citizen perceptions of corruption are changing rapidly. Recent surveys show that nearly 75% of the population believes this administration is fighting corruption aggressively or at least acceptably. President Duarte has greatly enhanced the credibility of the Presidency. Last year it was viewed as the second most corrupt institution in Paraguay; now it is perceived to be the least corrupt. This dramatic change in perception is directly attributable to strong anti-corruption measures taken by the new administration.

Very high fertility rates contribute to poverty, and better reproductive health services are needed. Approximately thirty-five percent of pregnant women do not receive appropriate pre-natal care as established by international standards. Many citizens lack access to other basic services, such as education, potable water, sewerage systems, solid waste collection, and basic infrastructure. Finally, the indiscriminate use of natural resources continues at a very rapid rate.

U.S. Interests and Goals: The primary U.S. goal in Paraguay is to develop a robust democracy. Combating terrorism, reducing transnational crime, and building a growing, diversified economy that strengthens economic well-being and democracy are also very important to the U.S. Government. The consolidation of democracy will be achieved by stressing the constitutional order, by developing effective government institutions, and by promoting decentralization and grassroots participation by civil society.

The strategy is to strengthen decentralized power and authority in order to improve government accountability to citizens and to develop civil society and private sector grassroots level efforts as the basis for democratic governance, economic growth, improved trade capacity, improved health, and care of natural resources. USAID has taken the lead to help local governments generate additional resources to improve services and infrastructure for their citizens. The Mission also supports activities which address deforestation and protection of biodiversity as well as supporting economic growth.

In accordance with Agency policy, it is in the U.S.'s interests to help Paraguay strengthen its development policies and performance defined by the Millennium Challenge Account's (MCA) principles. To date, the new administration has demonstrated a serious commitment to MCA enhancing reforms and early results are very encouraging. USAID's strategy is well positioned to support numerous reforms that are central to

both President Duarte's agenda and MCA principles.

The beneficiaries of this program are the people of Paraguay who receive improved basic services, increased employment opportunities, and who enjoy expanded opportunities to have their voices heard and their rights recognized for transparent and accountable governance.

**Gender:** Many of the programs being implemented incorporate gender considerations into its activities rather than making it a specific focus or component. Women are by far the majority of beneficiaries of the health portfolio activities and of basic community services as a result of enhanced participation opportunities in civil society and with local government on local issues.

**Donor Relations:** USAID is the second largest bilateral donor in Paraguay (after Japan) but its unique contribution is in having other donors build upon its pioneering activities, for example, strengthening civil society, addressing deforestation, judicial reform, and decentralization. Germany and Japan now have programs to strengthen local non-governmental organizations (NGOs) and work through NGOs to develop programs with local communities and adolescents. The United Nations Development Program (UNDP), the Inter-American Development Bank (IDB), and Germany are continuing to collaborate with USAID on judicial reforms and decentralization activities initiated by USAID. The World Bank is developing a new health sector loan in close collaboration with USAID in order to build upon our experiences in creating locally managed social pharmacies and health insurance programs.

In a joint effort by GTZ, UNDP and USAID, a publication for municipal authorities was launched. This was the result of a series of workshops carried out nation-wide aimed at increasing the capacity of newly elected municipal authorities in key issues such as municipal finance, decentralization and the legal framework. The publication was distributed to all municipalities and it will be a tool for consultation for mayors and members of municipal councils. A USAID supported technical working session with new elected governors from all over the country was carried out jointly with GTZ and UNDP which resulted in providing the opportunity to new authorities to listen to experiences from former governors and to debate about future challenges and plans.

The Global Environmental Facility (GEF) has continued environmental activities with protected areas and eco-regions started by USAID. USAID currently selects areas in which to focus in close cooperation with the GEF project, which mobilizes considerably more funding than USAID. USAID is coordinating with UNDP, and the World Bank to implement a debt swap that would invest financial resources into activities to protect high priority eco-regions with globally significant biodiversity. USAID has also taken the lead in health decentralization, and reproductive health activities are closely coordinated with the World Bank, the IDB, the Pan-American Health Organization (PAHO), the United Nations Fund for Population Activities (UNFPA), the United Nations Children's Fund (UNICEF), and Japan. Germany, the European Union (EU), and UNICEF have adolescent projects that complement USAID programs with adolescents on reproductive health issues. The EU, Japan, and UNDP have initiated a forum on competitiveness that will hopefully expand the impact of the Mission's new Economic Strategic Objective.

**Challenges:** The state of Paraguay's democratic institutions, civil society, and political parties indicates that substantial time and effort are still required to complete the transition to a fully functioning democracy and market economy. Reform and modernization of the Central Government is a top priority of the new administration. It is riddled with corruption and patronage, which have caused enormous inefficiencies in public service delivery. Popularly elected local governments are still inexperienced and lack adequate financial and human resources.

The Mission continues to strengthen an active civil society in order to put pressure on the current political system to change and become more responsive to the needs of citizens. At the same time the Mission is assisting local governments to meet demands for basic public service delivery. The most progressive and positive system changes are taking place at the local and regional level and deserve continued support. Efforts with local governments and NGO's are being expanded and deepened with an emphasis on their role of ensuring the provision of basic services and promoting the use of natural resources in a sustainable manner. Anti-corruption initiatives have been introduced in the context of each program area.

The Mission has also introduced major policy changes and is instituting good governance practices that are receptive to civil society's needs. Mission support in these areas is directly related to MCA goals of governing justly, investing in people and promoting free markets.

The business environment does not yet allow for private sector initiatives to take full advantage of opportunities for investment. Unfair and illegal business practices such as smuggling and bribery make it difficult for legal activity to compete. Unclear, complicated and costly export requirements make it difficult to invest in export production. These problems result in high risk ratings and expensive credit for private sector initiatives and make it difficult for Paraguay to compete internationally.

Although the deforestation rate is the highest in Latin America (over one million hectares were lost between 1999 and 2001) environmental issues have not been a priority for the GOP. There are signs that this may be changing under the new Duarte Administration. Despite having signed and ratified almost all international agreements and treaties related to environmental protection, Paraguay still lacks an integrated national policy for the environment although there is improved coordination within the GOP on environmental issues and there has been initial discussion on the formulation of such a plan. Despite the optimism, there is still unclear and contradictory national legislation and limited capacity of governmental organizations to deal with environmental issues.

Over 35% of pregnant women do not receive the appropriate pre-natal care necessary to help avoid complications. Reproductive health care is important in Paraguay because of a desire to solve two acute problems: 1) the unacceptable levels of maternal and infant mortality, and 2) excessively high levels of fertility. Effective reproductive health care delivery at the community level can be strengthened by channeling services through local institutions. This helps to improve the quality, timeliness, and responsiveness of the health services provided. The Ministry of Health (MOH) does not have the capacity to deal efficiently with these and other problems such as the supply of contraceptives, basic supplies, and medicines and additional outreach to adolescents on reproductive health and family planning issues. But the new Duarte Administration has expressed a commitment to improving health services and to making reproductive health a higher priority.

#### Key Achievements:

Democracy. During the past several years USAID/Paraguay has promoted anti-corruption efforts utilizing a bottom-up approach. In 2001, the Mission initiated support of a National Network of Citizen Watchdog Groups that has expanded from 10 to 30 chapters to date, and over the next three years the Mission will help it expand to 100 chapters with nationwide coverage. Three departmental (regional) watchdog offices, two of which were formed in 2003, are increasing the impact of this network. The National Network of Citizen Watchdog Groups signed an agreement with the Ministry of Finance to provide oversight and promote greater transparency in the Ministry. President Duarte Frutos has cited this Network as an example of the type of action by civil society that he is counting on to help push for reforms that will address corruption.

The Mission has had strong success in helping local governments adopt more transparent budgeting, procurement and expenditure procedures and to increase the accountability of local governments to their citizens for the use of public resources. As part of the Mission's civil society program but in coordination with public bodies, accountability is promoted by the actions of more than a dozen grassroots organizations being supported to monitor local and national government officials to promote compliance with laws and operational norms and to denounce corruption when irregularities are encountered.

Training and technical assistance has been provided to the media to improve the quality and integrity of reporting on public misconduct and corruption, and as a result, press coverage of corruption more than doubled. Improved investigative journalism techniques were a factor in the opening of investigations on six Supreme Court Ministers, who either resigned or were impeached. The Mission and the IDB jointly funded a local NGO and the National Integrity Commission in producing TV and radio spots that promoted public awareness regarding the societal cost of corruption. The Mission funded an alliance of NGOs to organize a presidential debate before the national elections, on anti-corruption, that was aired on TV and transmitted by several radio stations.

USAID's efforts have helped to improve the documentation of the extent of corruption and increase people's intolerance for such behavior. Public opinion polls show that corruption is second only to the economic crisis in importance to Paraguayans. The success of these efforts has contributed to putting corruption on the national agenda, and President Duarte Frutos has identified combating corruption as a top priority of his administration. Based on the results of a recent annual democracy survey by one of the Mission's partners, the Presidency (Duarte Administration) was perceived as the least corrupt government office in 2003, compared with 2002 when it was perceived as being the second most corrupt government office (only customs had a worst perception).

**Environment.** During the past year, the Mission has achieved significant advances in protecting important priority areas for conservation purposes. These areas are parts of globally important vast eco-regions that also encompass parts of Brazil, Bolivia and Argentina. Eco-regions are being protected through the development of a system consisting of core areas in which biodiversity is maintained through limited use, biological corridors linking the core areas that allow the movement of wildlife and sufficient genetic interchange to maintain viable populations, and zoned sustainable use areas that function as buffers and connections that surround the core areas and biological corridors. With most land in private hands, the direct purchase of land for conservation is an important tool in protecting biodiversity in key areas. In this regard TNC has raised over a half million dollars for the purchase of land in Paraguay. USAID has also supported the development of policies that provide private land owners with incentives to protect habitat and biodiversity.

A Biological Vision for the Upper Parana Atlantic Forest (UPAF) was developed with stakeholder participation by governmental and non-governmental entities from three countries, Argentina, Paraguay and Brazil. The Vision serves as an eco-regional management document shared by all three countries. The result of the Vision has been renewed financial and political support for Paraguay's UPAF which is most of the forest remaining on/near the Atlantic coast. Paraguay's Environment Secretariat has incorporated this Vision into its National Biodiversity Strategy policy.

Global Climate Change (GCC) was mitigated through the protection of various sections of the UPAF through presidential decrees and purchasing of land. One decree established a biological corridor between two established protected areas and another declared 102,000 hectares as a Resource Management Area.

Departmental and municipal governments have begun to take cognizance of the role they can play in conservation efforts. Coordination amongst and between municipal and departmental governments has improved resulting in coordinated awareness raising programs, improved capacity of local level officials, promoting land zoning and implementation of a biosphere reserve.

Other forms of conserving land, such as a debt for nature swap and conservation leases, are also being developed as part the Mission's overall eco-regional focus.

**Reproductive Health.** Many people in Paraguay are not receiving any type of health service, especially in rural areas, and reproductive health issues are not being adequately addressed. The GOP is facing budget reductions, cannot afford to pay for medicines and supplies at many public health facilities, and is generally providing low quality treatment. In light of this, USAID supported decentralization of health services has been successful in three departments and is a potential model to provide low cost services and medicines for the poor. Successful implementation is generating interest from the MOH at a national level and from departments and municipalities throughout the country. A specific success of decentralized health services is the basic health insurance scheme in a municipality, Fram, where the local health council, the community and the health center are working together to address basic health needs. This example, and others, is demonstrating that local governments, in conjunction with community participation, can identify innovative ways to improve access to quality health services.

USAID/Paraguay assumed a leadership role which led to an agreement reached during the year between the MOH, USAID, the UNFPA and the World Bank to carry out a Reproductive Health Survey which will

provide critical statistics on the awareness and status of reproductive health around the country, access to health care, and quality of health. This is the first such survey in more than five years and for the first time has substantial donor involvement.

Trade: Activities have begun within a new Economic Growth Strategic Objective in late FY 2003. Funds are being used to develop business services that will provide marketing assistance for agricultural commodities and other products. In addition, policies related to agricultural and trade will be developed to encourage more efficient business practices relating to production, processing, marketing, and exporting.

Global Development Alliance: USAID awarded a grant to the International Youth Foundation through a program to find jobs for young people. A local NGO is implementing a \$470,000 grant from 2003 to 2005, to train approximately 500 youth in information technology, create a job bank, facilitate internships and ultimately help these youths to find employment. This project has broad visibility and includes an alliance between the private sector, a university and CSO's. The project complements Mission activities in social responsibility with youth and the private sector.

**Country Close and Graduation:**

N/A.



## **Results Framework**

**526-001 Improved Responsiveness and Accountability of Key Democratic Institutions**

**526-002 Improved Management of an Expanded Protected Areas System**

**526-003 Increased Use of Voluntary Family Planning Services**

**526-004 Key Democratic Governance Practices Instituted**

**SO Level Indicator(s):**

Percentage of targeted local governments providing improved, expanded or new services.

**IR 4.1** More effective and accountable local governments developed.

**IR 4.2** Development of an active civil society encouraged.

**IR 4.3** National democratic reform process expanded.

**526-005 Management of Globally Important Ecoregions Improved**

**SO Level Indicator(s):**

Number of ecoregional or sub-ecoregional conservation plans.

**IR 5.1** Ecoregional management capacity of local NGOs strengthened.

**IR 5.2** Policy, legal and financial tools from improved ecoregional management developed.

**526-006 Use of Voluntary Reproductive Health Services Increased**

**SO Level Indicator(s):**

Couple years of contraceptive protection (CYP)

**IR 6.1** Decentralized community based health care improved.

**IR 6.2** Access to quality reproductive health services expanded.

**526-007 Increased Incomes for the Poor in Selected Economic Regions**

**SO Level Indicator(s):**

Employment/Investment generated in selected economic regions.

**IR 7.1** Business development strategies implemented.

**IR 7.2** Availability of financial services in target areas increased.

**IR 7.3** Business environment for micro and small businesses improved.

**526-008 Democracy**

**526-009 Social Sector**

**526-010 Economic Growth**

**526-011 Environment**